

MINUTES
LEGISLATIVE GOVERNMENT OVERSIGHT COMMITTEE
August 21 & 22, 2006

The Legislative Government Oversight Committee met August 21, 2006, in the Supreme Court Consultation Room at the Capitol. Chair Senator Courtney called the meeting to order at 1:05 p.m. Other members present were:

Senator Ron Wieck, Co-Chair
Senator Pat Ward

Representative Dwayne Alons, Chair
Representative Joe Hutter, VC
Representative Vicki Lensing, RM
Representative Clel Baudler
Representative George Eichorn
Representative Jamie Van Fossen
Representative Roger Thomas
Representative Wes Whitead

APPROVAL OF MINUTES

Minutes from the July 18 & 19, 2006, meeting moved by Representative Lensing and approved by the Committee.

OVERVIEW

The focus of the meeting concerned continued questioning relating to the Central Iowa Employment and Training Consortium (CIETC). The Committee continued its inquiry relating to CIETC with testimony from the following individuals:

CARLTON SALMONS,

Mr. Salmons, Attorney for CIETC, discussed his association with CIETC, provided observations regarding revisions made to CIETC Board bylaws, and offered recommendations for enhancing the accountability of 28E organizations. In a brief opening statement, Mr. Salmons clarified that he was testifying pursuant to a limited waiver of the attorney-client privilege, and was accompanied by Mr. Jonathon Wilson, Attorney for CIETC, for counsel in that regard. Mr. Salmons indicated that his representation of CIETC began in 1979, and effectively ended with the drafting of a revised set of by-laws and an amended 28E agreement in April of 2002. He stated he was unaware of subsequent revisions to the by-laws conferring authority upon the Chairman of the CIETC Board of Directors to establish executive salary levels and bonus payment amounts, and upon receiving a copy of the bylaws he noted and reported that a previous compensation limitation involving a review of proposed salary levels had been deleted, and a provision directing the chairman to accept salary levels and bonus payments had been added. In response to Committee questions regarding measures which might be undertaken to prevent the problems which occurred at CIETC from recurring, Mr. Salmons offered several recommendations directed at the way entities created pursuant to 28E agreements are

organized and accounted for. His suggestions included a revision of Chapter 28E, Code of Iowa, to establish limitations on the authority of entities established pursuant to that chapter and enhance their accountability, and establishing a new budgeting and accounting process applicable to 28E entities to enhance public awareness of revenue sources and proposed expenditures. He also recommended that individuals in positions of authority in 28E entities be required to take an oath of office; that they receive education and training on their authority, fiduciary responsibilities, and the potential for conflicts of interest; that requirements for bonding and tort liability insurance be implemented; that existing requirements applicable to other forms of business entities relating to publication and reporting of proposed budgets be expanded to Chapter 28E; Code of Iowa, that an audit of 28E entities conducted by an attorney be periodically undertaken; and that civil and criminal penalties applicable to excessive compensation and other breaches of fiduciary responsibility be instituted. Mr. Salmons cautioned that implementation of these remedies, while helpful, will not prevent unscrupulous individuals from violating laws established for taxpayer protection.

MARK WACKERBARTH

Mr. Wackerbarth, Certified Public Accountant, Denman and Company, provided input regarding accounting and auditing practices typically applied in reviewing governmental entities, and explained procedures and terminology applied in the course of such reviews. Mr. Wackerbarth indicated that if an audit were to uncover irregularities in compensation or bonus payment levels, available options to the auditor would include alerting management, notifying the board of directors, and if determined appropriate, referring the matter to an investigative agency or authority in the event of board inaction. The nature of qualified versus nonqualified audit opinions was discussed, as well as the question of whether the CIETC situation had generated repercussions for audits of other governmental entities.

RECESSED

Senator Courtney recessed the meeting at 4:50 p.m.

August 22, 2006

Senator Courtney called the meeting to order at 9:15 a.m.

CIETC INQUIRY (CONTINUED)

MARY GOTTSCHALK

Ms. Gottschalk, Interim Chief Financial Officer, CIETC, provided additional information identifying factors which contributed to the excessive compensation situation at CIETC. Ms. Gottschalk stated that her primary focus since joining CIETC has been maintaining the operation rather than serving in an investigative capacity, and that she has been engaged in the process of establishing employee position descriptions and addressing salary inequities in an effort to restore order and provide transparency at the request of the CIETC Board of Directors. She observed that the accounting system put in place by Deb Dessert Bargman possessed poor reporting capabilities adversely impacting the ability to accumulate various funding programs or document employee compensation and bonus payment amounts. She also

observed that the same software has been utilized by other work force development entities with better reporting capability, suggesting that the problem is attributable to the manner in which it was implemented by CIETC management. Ms. Gottschalk related that compensation level information was not available to nor discussed among CIETC staff, that employees were under the frequent impression that agency funding limitations adversely impacted salary potential, that cross-training of staff was not conducted, and that employees were discouraged from asking questions. In response to Committee inquiry, Ms. Gottschalk reviewed a series of exhibits conveying information concerning CIETC grant funding levels, consulting fees, supplemental wage and incentive pay awards and their source of payment, salary and bonus payment timing and amounts, and related information. Additionally, Ms. Gottschalk identified at least two entities having expressed interest in assuming the role of service provider, and indicated that the Board has expressed a preference that the new provider retain CIETC staff members currently in place.

COMMITTEE MOTION

In addition to the above discussion, the Committee unanimously adopted a Motion requiring every state agency to submit a report by the regularly scheduled meeting of the Committee in September, 2006, containing specified information applicable to the agency for the preceding sixteen year period. The required information includes whether the agency pays any form of additional compensation above and beyond amounts received by employees as their regular compensation level and reimbursement for travel expenditures, the name of each employee receiving such additional compensation and the total amount of the additional compensation provided in the fiscal year in which such compensation was paid, the rationale for awarding the additional compensation, and the regular compensation level of each person receiving additional compensation at the time the additional compensation was received. For purposes of the Motion, an "agency" includes the Iowa Lottery Authority and excludes the State Board of Regents.

ADDITIONAL INFORMATION

Committee meetings involving CIETC are being recorded, and can be linked via the opening page of the General Assembly's internet homepage. A website address for the recorded meetings is: [http://www4.legis.state.ia.us/lfb/SubCom/related links/OversightRecordings.html](http://www4.legis.state.ia.us/lfb/SubCom/related%20links/OversightRecordings.html).

NEXT MEETING

The next meeting of the Legislative Oversight Committee is yet to be determined pending ongoing review of subpoenaed documents by the Committee's legal staff. The Committee members were asked to keep September 7, 8 and 11, 12 available as possible meeting dates.

ADJOURNED

Senator Courtney adjourned the meeting at 12:08 p.m.